

FISCAL NOTE

HB 3319 - SB 3297

March 15, 2004

SUMMARY OF BILL: Enacts the *Higher Education Accountability Act of 2004* to do the following:

- Directs the UT Board of Trustees and the TBR to prepare quarterly reports that would detail expenditures made by, at the discretion of, for the benefit of, or on behalf of the president or chancellor. The report would include all discretionary expenditures including unrestricted gifts, foundation funds, athletic funds, sponsorship fees, licenses and royalty funds, and other funds that would not be included in the operating budget. The bill restricts the chancellor and president's authority to grant themselves exceptions to fiscal, spending, or travel policies established by the boards or by statute.
- Requires UT and TBR to have an audit committee and an internal auditor who shall report directly to the committee or board.
- The auditor would be required to establish a process by which students, employees, taxpayers, and other citizens may confidentially report suspected illegal, improper, wasteful, or fraudulent activity.
- The bill applies present law *whistleblower* provisions to higher education employees, thereby prohibiting retaliation against the employee for any reporting information to UT, TBR or audit committees. It would be a Class A misdemeanor to retaliate or take any adverse action against a person for reporting alleged wrongdoing.
- Allows members of the boards to be removed for neglect of duty upon a petition by the Governor and a vote of a majority of the members of the respective boards.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$125,000

Increase Local Govt. Expenditures - Not Significant

Increase Local Govt. Revenues - Not Significant

Estimate based on the following:

- Assumes the bill requires an internal auditor for the TBR and UT Board of Trustees as well as the institutions. The UT board and the institutions already have internal auditors who could fulfill the requirements set out by this bill. However, the TBR would be required to hire an internal auditor for the board, the cost of which would be approximately \$125,000, including benefits and related operating expenses.

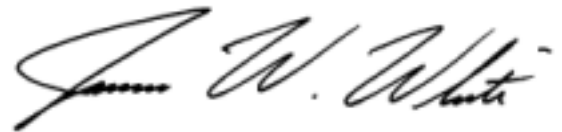
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- Any cost associated with the preparation and distribution of a quarterly accounting report would be not significant and can be handled within existing budgeted resources.
- Local impact depends upon the number of persons convicted of this offense and the resulting increased cost to local governments to confine such persons versus the increased revenues to local governments from fines levied and collected under the provisions of this bill.

Note: The UT Board of Trustees currently has an audit committee and an internal auditor who reports directly to the Board and the audit committee. The TBR does not currently have an internal auditor overseeing the internal audit functions of the Board and institutions. According to the TBR, the cost of an internal auditor (\$125,000) would be absorbed through an assessment to each of the institutions under the TBR. The assessment to each institution would be prorated based on the percentage of the institution's E&G budget that would go toward internal audit functions. For example, the University of Memphis would be assessed approximately \$25,000 of the auditor's expense allocation and Dyersburg State Community College would be assessed approximately \$1,250 of this expense. It should also be noted that higher education funds do not revert back to the general fund at the end of the fiscal year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director